



Dighton Water District

Financial Management Review

Division of Local Services / Technical Assistance Section

March 2013



March 12, 2012

Board of Water Commissioners
Dighton Water District
192 Williams Street
Dighton, MA 01337

Dear Commissioners:

It is with pleasure that I transmit to you the enclosed Financial Management Review completed by the Division of Local Services for the Dighton Water District. It is our hope that the information presented in this report will assist the district in improving its financial management practices, addressing areas of concern and meeting its long-term planning needs.

Our technical assistance team welcomes the opportunity to present the report to the board of water commissioners at a public meeting. As an added service, we are willing to meet with staff, earlier on the same day, to discuss implementation of the report recommendations.

Please be aware that as a routine practice we will post the completed report on the DLS website, www.mass.gov/dls, and forward a copy of the report to the town's state senator and representative.

If you have any questions or comments regarding our findings and recommendations, please feel free to contact Rick Kingsley, Bureau Chief of the DLS Municipal Data Management and Technical Assistance Bureau at 617-626-2376 or at kingsleyf@dor.state.ma.us.

Sincerely,

A handwritten signature in black ink that reads "Robert G. Nunes".

Robert G. Nunes
Deputy Commissioner &
Director of Municipal Affairs

cc: Senator Marc R. Pacheco
Representative Patricia A. Haddad



Introduction

At the request of the Dighton Board of Water Commissioners, the Department of Revenue's Division of Local Services (DLS) completed this financial management review for the Dighton Water District. The recommendations contained within this report are based on a site visit by a team from the DLS Technical Assistance Section and with input from the district's DLS Bureau of Accounts field representative.

The scope of this review focused on the water district's financial offices and on the practices, procedures and policies that guide district decisions. We examined the duties and responsibilities of finance officers and the degree of coordination and communication that exists among officials. We comment on the effectiveness of financial checks and balances and on compliance with state laws and regulations that govern fiscal matters. The district's technology condition was assessed and its organizational structure was evaluated.

As part of our review, we gathered and examined information from various documents including the district charter and bylaws, its Tax Recapitulation Sheet, Balance Sheet, annual budget, warrants payable and expenditure reports. We reviewed the Water District Consolidated Manual, its rules and regulations and the October 2012 Water Rate Study. To complete the report, we interviewed and received information from the persons listed below.

Overview

The origin of the Dighton Water District dates back to 1911 when it was formed to meet a need for a public water supply, as well as fire protection, for residents in southeast Dighton. The initial enabling legislation was amended five times between 1911 and 1946, and finally repealed and replaced in its entirety by Chapter 359 of the Acts of 1950. Since then, the most noteworthy change was imposed by Chapter 68 of the Acts of 2012 which removed approximately 330 properties from the district's jurisdiction. Today, the district is governed by the 1950 act, as amended, by bylaws and by rules and regulations, last revised in June 2006.

The district is directed, under its enabling act, to supply water for the extinguishment of fires and for domestic use and other purposes. It possesses the power to establish, relocate and discontinue fountains and hydrants; to regulate the use of such water; to fix rates to be paid therefore. The district has authority to assess and raise taxes for the payment of services and defraying expenses; and, has the power to prosecute and defend all actions. It also has independent borrowing authority.

According to the district's FY2013 Tax Recap Sheet and DOR data bank records, the district today encompasses 2,336 of the town's 3,229 designated parcels. All 2,336 parcels, including 90 personnel property accounts, are assessed a tax. A Water Rate Study completed in October 2012 by the Abrahams Group and AECOM indicates that only 1,655 of 2,336 parcels are billed a water usage charge. Of that total, 1,604 are residential properties, 17 are under industrial or commercial uses, 31 are other accounts billed semi-annually, and 3 are irrigation accounts. Included are 24 residential properties located outside district boundaries.

The Town of Dighton (population: 6,700) is situated within two basins which are watersheds for the system: the Taunton River basin and the Narragansett River basin. The district draws, treats and distributes water from four of five active wells: three off Cedar Street and two off Walker Road. The district is in the testing stage for a third well off Walker Road and is considering an additional well off Cedar Street where an existing, older well is active, but off-line. The district completed construction on a \$7 million treatment plant in 2006 which treats, on average, 250,000-300,000 gallons per day in the winter and as much as one million gallons per day in the summer. The plant's treatment capacity is 1.5 million gallons a day.

The district maintains 34 hydrants throughout the town and miles of infrastructure of varying age. Water meters are aged as well. It is our understanding that a meter replacement program is in a 30-meter pilot stage and in 2012 the district began assessing a separate \$20 meter replacement fee annually. Part of the goal is to collect data from meters to measure water loss.

Management of the district rests with a part-time, three member board of water commissioners, who are paid annual stipends, and a full-time water superintendent. Support is provided by a clerk/treasurer and an assistant treasurer/accountant, each full-time, while an additional five employees work in the treatment plant or in the field under the direction of the superintendent. The Dighton town assessor and treasurer/collector are compensated for time they also devote to the district during the tax setting and bill collection process. A five member district finance committee, appointed by district moderator for two year terms, meets monthly but is active primarily in the budget process and at the annual or special district meetings. In addition, The Abrahams Group serves as the district's financial adviser.

The district board members are relatively new having been elected in 2009, 2010 and 2011. The board chair was previously a member of the district finance committee and another member serves as the elected town clerk. Their tenure is in contrast to the superintendent, the clerk/treasurer and the assistant treasurer/accountant, who have served the district 35, 17 and 9 years, respectively. All five finance committee members assumed office at the same time - just over a year ago - following the mass resignation of their predecessors.

Total district spending (\$2,124,591 in FY2013) is financed by a combination of water use charges, other estimated receipts and taxation. The district benefitted from a spike in revenue beginning in 2007 when the commissioners adopted a policy that expanded district boundaries to include properties within 2,000 feet of a fire hydrant. However, the policy was successfully challenged and with the subsequent passage of Chapter 68 of the Acts of 2012 boundaries were redrawn. The district lost 330 parcels and \$86 million in property valuation from its tax base.

The tax base loss in combination with lower district tax rates caused tax revenue declines of \$288,539 in FY2012 and \$406,165 in FY2013. Over the two-year period, the residential tax rate fell from \$1.74 to \$1.01 and the commercial/industrial/personal property rate declined from \$2.82 to \$1.66. The revenue shortfall was filled by using free cash, drawing from a capital improvement fund and reducing spending by \$360,180. In FY2013, the district also used \$166,000 from its stabilization fund to reimburse property owners removed from the district pursuant to the 2012 legislation that redrew district boundaries.

The district has a history of expending its free cash but, in FY2012 and again in FY2013, it also drew money from its capital improvement fund to pay debt service - \$555,486 in FY2012 and \$559,266 in FY2013 - associated with the new treatment plant. Up until FY2012, revenues had merely accumulated in the capital improvement fund.

To help the commissioners with future income related decisions, the district engaged the services of The Abrahams Group, its financial advisor, and AECOM, an engineering firm. The resulting water rate study, completed in October 2012, focused on water rates, tier structures and tax revenues. The analysis presented eight financing scenarios that reflected alternating emphasis on water user fees and taxation. The Abrahams Group also provided training to the Water district finance staff, which proved to be well-received and valuable. With this financial management review, the commissioners expressed their hope to gain insights into the state and integrity of financial operations.

Conclusion. Repercussions from decisions that mostly pre-date the election of current commissioners and finance committee members have placed financial strain on the district. Fall-out has, as well, affected public confidence in those who manage district finances. While the current board of water commissioners is credited with having taken positive steps, particularly in response to the district boundary issue, difficult hurdles lie ahead.

The Dighton Water District is a relatively small operation. There is longevity, experience and institutional knowledge among staff. There is determination and thoughtful perspectives among commissioners and finance committee members, who collectively are less tenured. This mix should provide a foundation for sound decision making. In any case, we are persuaded that there is a genuine interest among all involved in bringing stability to district finances and operations.

The report that follows presents our conversations and conclusions together with recommendations on how the district might improve its financial practices and overall operations. If implemented, we can envision these recommendations helping the district to rebuild public confidence that it is functioning efficiently with financial controls in place.

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Overall Financial Management

The Dighton Water District is guided by a three member, part-time board of water commissioners, who are elected to three-year, staggered terms. An annual district meeting assembles each May to act on articles, including a budget, placed on the warrant by the commissioners or by signature petition. As a routine matter, a moderator is elected only for the duration of the meeting and one-year appointments of the clerk/treasurer and the assistant treasurer/accountant are approved. The meeting typically draws fewer than 20 property owners and special meetings during the year rarely attract any property owners. In addition, a five-member finance committee is appointed every two years by the moderator.

The members of the board of water commissioners functions as the chief executive officers of the Dighton Water District and meets monthly throughout the year. The commissioners are the chief financial officers as well. They manage staff and negotiate the collective bargaining agreement with the union which represents all eight district employees. The board formulates the annual budget and monitors financial activity through the year. It approves payroll and vendor warrants, and prepares articles for presentation to an annual district meeting. Board members fulfill roles of a personnel administrator, a chief procurement officer and a technology committee. Commissioners have it within their authority to set policies related to personnel, procurement, financial practices, Internet and email use, etc., among others.

The part-time board is directly involved with full-time staff that includes the water superintendent, the clerk/treasurer and the assistant treasurer/accountant. Each has their own set of duties and responsibilities in the day-to-day administration of the district. As noted, this three-member team has worked together for the last nine years.

The five member finance committee is charged by bylaws to review and make recommendations on articles in the annual and special meeting warrants. Approved articles are provided typically a week or so before a meeting, but it is unclear to what extent the committee receives other financial information during the course of the year. Due to a complete turnover in the finance committee, its members have been through only one complete cycle.

The superintendent and the treasurer customarily initiate the budget process in January. Working together, they produce a "preliminary" budget and present it to the board. Focus is on the expenditure side. Once reviewed and adjusted as warranted, the commissioners present and review their version with the finance committee in a joint meeting. The finance committee subsequently meets on its own and then again with the board to discuss the committee's recommended changes. A consensus is reached and the final product is prepared, printed and presented to the district for approval.

Over this period, the accountant provides monthly income data and other reports that help form the basis for revenue projections. The water superintendent and clerk/treasurer offset proposed expenditures with estimate of water use income and other local receipts. Other revenue sources are factored-in with the expectation that property taxes will close any gap. Capital expenditures are considered on a more ad hoc basis.

The district's yearly expenditures are approved at the May annual meeting in a mix of line-items and warrant articles. Later in the year, referencing district meeting minutes, the town assessor with the clerk/treasurer and assistant treasurer/accountant begins the district's Tax Recap process.

Conclusion. Though our visit was brief, it was apparent that the board of water commissioners relies on the knowledge and experience of staff. At the same time, board members are independent minded and thoughtful in their decision making. The commissioners appear to function well as a board and individually possess consistent views on the future direction of the district. The board interacts well with the finance committee which, with only one full budget cycle of experience, might benefit from greater definition to its role. We believe the board, the finance committee, superintendent and finance officers all share common goals for the district.

The recommendations we offer are intended to help tighten operations and working relationships.

1) Contract for Independent Audits on a Regular Basis

It is our understanding that the commissioners have not been altogether satisfied with past audit work and that an independent audit of the district's financial statements has not been conducted in the last three or four years. Ensuring the completion of regular audits is a fiduciary responsibility of the board of water commissioners. As important, independent audits go far to enhance public confidence in the management of government.

An audit provides an opinion on the accuracy and reliability of year-end financial statements. The management letter that accompanies the audit is particularly useful as it identifies systematic weaknesses in financial procedures and suggests corrective action. A clean audit contributes to a strong bond rating and to the prospects of lower borrowing rates.

Even though audit services are not subject to the state procurement rules under M.G. L. Chapter 30B, a public solicitation through a request for proposals published in the Massachusetts central register is a sound course. The district might alternatively contact town officials about its auditor and explore engaging for service under a separate contract. Each option will involve a cost to the

district. As a further step, the commissioners might propose a district bylaw directing that an independent audit be conducted every one or two years.

2) Review Rates Annually

The board of water commissioners revised water rates in September 2012 which reportedly was the first rate adjustment in five years. Rates for FY2013 have also been decided. We encourage the board to impose a requirement on itself to review and adjust, if warranted, water usage rates and the tax rate annually. Rate and tax review is instrumental to a well-defined budget process which we recommend be adopted as a district bylaw.

3) Clarify the Role of the Finance Committee

As in towns, the district finance committee advises the board, but also acts on behalf of residents in a role as watchdog. But, this does not mean its purposes runs counter to those of the board and staff. With sufficient time to review articles and with opportunities to better understand programs and goals, the finance committee is able to make positive contributions to the district. It can serve as a check and balance on the plan of revenues and expenditures that the commissioners put forward. The finance committee can offer objective perspectives and might see issues that are obscured to those closer to the budget and operations.

The most effective way to maximize the participation of the finance committee is ensure that its members receive financial data on a timely basis throughout the year. Equally important is that the committee has adequate time to review the budget and give thoughtful consideration to its recommendations, if any.

For its part, to secure a meaningful role, the finance committee must build trust by functioning within the scope of its responsibilities. Customarily, a finance committee is not entitled to inject itself into the day-to-day administration of district business. It can advise, but does not have unilateral authority to make policy. It cannot challenge personnel related decisions or substitute its judgment for that of the water superintendent concerning spending decisions once funds are appropriated. As a rule, finance committees focus on global issues and broad budgetary initiatives rather than the minutia of daily operations.

4) Codify the Budget Process in Bylaw

We recommend that the budget process be incorporated into a bylaw for approval at a district meeting. It might best be presented as a budget calendar, but need not be detailed. A budget calendar lists the primary steps in the budget process and sets-out a timetable for their

completion. The timetable should be general (i.e., by the first week of) to allow for unforeseen circumstances. The bylaw should describe in summary the role and responsibilities of those involved at each junction, including the water superintendent, the finance staff, the finance committee and the board. We expect the district's process to run concurrently with the town's budget process. We also expect new user rates to take effect on July 1.

Codifying the budget process will ensure continuity from year to year and inspire confidence that procedures will remain the same as elected and appointed officials change. On a more practical level, when participants in the process generally know well in advance when meetings will occur, they are more able to plan or adjust schedules.

5) Resist Debt Avoidance; Complete Analyses

Faced with another 14 years of principal and interest payments in excess of five hundred thousand dollars annually for the treatment plant, commissioners may be reluctant to take on more debt. However, because so much of a water district involves infrastructure, taking this position would be short sighted. Even a modest, well-structured debt program can go far to help meet ongoing and ad hoc capital needs.

Borrowing decisions should be based on financial analyses. Whether the district relies on its financial advisor or hires a financial/budget analyst, commissioners need to know the potential impact of new debt service on water rates and tax rates. Only then can they make informed decisions about long term capital investment.

6) Forecast Five Years

We recommend that the board draw on the expertise of the water superintendent to develop a five year expenditure projection, including debt service and anticipated long-term capital needs. The treasurer and accountant can provide valuable assistance in this effort. With the Abrahams/AECON rate study in hand, the commissioners can then overlay a revenue scenario, as well as test others, to measure whether projected income covers expenditures over the same period and the impact on district residents.

7) Commit to a Consistent Budget Format; Reduce Number of Articles

The district would benefit from the use of a consistent budget format from year-to-year that includes line-items for all recurring expenditures. We include a sample format in Microsoft Excel as Appendix B at the end of this report. It incorporates line-items from previous district budgets and reorganizes them generally by function. In addition to a column for proposed

expenditures for the upcoming year, the spreadsheet includes columns that display the current fiscal year budgeted amounts for each line-item and the actual expenditures from the prior fiscal year. Percent and dollar changes are calculated and shown as well.

The line-item budget is intended to account for all recurring operating expenses of the district, particularly if funding sources are recurring. Therefore, our proposed approach eliminates certain spending articles that appear in the warrant and moves the expenditures to the line-item budget. Moved from articles to line-items are expenditures for officers' compensation, debt service, treasurer's bond, required DEP assessment, certified mailings, water awareness program, cleaning lagoons and recording meetings.

Annual spending will still involve some appropriations presented and approved in articles. To complete the picture of town meeting action, we also provide a companion chart for articles. As a reminder, each article in the warrant must describe the purpose of the expenditure, an amount certain to be expended and a funding source.

In recent budgets, it appears that the district has approved articles with contingencies placed on the spending amount, using language such as "not less than." This fails to satisfy the requirement of state law. The dollar amount of an appropriation cannot be uncertain when the measure is approved. The district also sought, through a warrant article, to expend proceeds from a sale of property that had not yet occurred. The proceeds of a sale does not qualify as an estimated receipt and must be in hand and available before it can be appropriated.

The third part of the budget package is a list of revenue sources that support the budget. For omnibus budget purposes, various revenue types need not be individually associated or matched-up with specific spending purposes. They are typically estimated general receipts which are raised and appropriated. As a rule, recurring revenues should be matched with recurring operating expenditures in the omnibus budget; one time revenues should fund one time expenditures presented in articles.

Electronic versions of these charts accompany this report. We encourage the commissioners, superintendent and finance staff to review them and make changes as warranted.

8) Resist Spending Free Cash in the Fall; Increase the Finance Committee Reserve

At a November 2011 special meeting, the district expended \$141,700 in free cash, of which \$100,000 was appropriated to the stabilization fund. In November 2012, free cash funded \$166,780 in expenditures, \$153,700 of which went to the stabilization fund.

The reasons for appropriating from free cash in the fall of 2011 and 2012 do not seem compelling particularly when non-stabilization expenditures amounted to only \$41,700 and \$13,000 respectively. By avoiding fall appropriations, all of free cash is available as a reserve for the remainder of the year and until its possible use as a revenue source in the ensuing year's budget. Or, it can be appropriated in the spring to stabilization. In the absence of fall appropriations, the finance staff can start preparing the district's Tax Recap Sheet and can submit it earlier for DOR approval. The town benefits as well from an earlier completion of the tax rating setting process.

Lastly, to fund modest extraordinary or unforeseen expenditures and to avoid a fall special meeting for that purpose, we recommend that the district increase the finance committee reserve to \$30,000-to-\$50,000. Any year-end unexpended amounts potentially flow to free cash.

9) Direct All Revenues to the General Fund

The district posts a comprehensive list of water use charges and a wide range of fees for services on its website. A portion of these receipts, as well as tax revenue, is deposited to the district's general fund. Other income from fees and charges is deposited to a capital improvement fund or to a contractor's fund. While balances appear to have built over a number of years, transfers out of the capital improvement and contractor funds only occurred in FY2012 and FY2013 to pay the treatment plant annual debt service costs.

It is unclear what authority exists to establish these funds. Under M.G.L. Ch. 44, §53, all district receipts must be deposited to its general fund unless otherwise permitted by a general law or special act. Moving forward, we recommend that the commissioners close the capital improvement and contractor funds and direct that all revenue be deposited to the district's general fund. Together with fewer spending articles, a line-item budget with all recurring expenses, this step should provide a clean picture of district income and expenditures.

If the district wishes to retain the capital improvement or the contractor's fund, we suggest it either create them as special purpose stabilization funds into which only non-recurring revenue would be appropriated. Alternatively, the district might seek special legislation to establish them as special revenue funds into which specific revenue would be directed rather than deposited to the general fund. However, appropriating to its general purpose stabilization fund would fulfill the need for a reserve. For this purpose, the district might identify non-recurring revenue (deposited to the general fund) and appropriate an equivalent amount to the stabilization fund.

10) Enhance Accountability Through Personal Service Contracts

All eight water district employees are members of the same labor union. To create some vertical structure, the commissioners have already begun to take steps that would move the water superintendent and the clerk/treasurer out of the union. The intent is to negotiate personal service contracts with each. We endorse this course of action, particularly in regard to the water superintendent. The management authority bestowed by job titles and seniority only goes so far and can be undermined when union status gives all employees equal standing. To function effectively, the district needs to place in its managers the ability to direct work, resolve issues and impose discipline with authority. The commissioners can provide their strongest support by creating a work environment where those who work for the water superintendent are accountable to him, as he would be to the board.

11) Enhance Staff Training

The work of The Mark Abrahams Group with the district has underscored the value of staff training. The treasurer and accountant in particular were exposed to new ways of completing requisite tasks and gained a deeper understanding of their respective job responsibilities. In some instance, they were asked to adopt methods that ran counter to long-standing practices, but they have been receptive to change. This report will ask more of them.

We recommend the commissioners continue to fund the budget line-item for training. They should encourage the treasurer and accountant to seek out education and training opportunities. For example, each might attend the annual schools in Amherst. The accountant should also be encouraged to seek a designation as a certified municipal accountant from the Massachusetts Municipal Auditors' and Accountants' Association (MMAAA).

12) Offer Direct Deposit

We recommend that the district arrange to offer direct deposit to its employees. Direct deposit reduces the cost of issuing checks, prevents the need to reissue lost checks and simplifies the reconciliation of payroll bank accounts because there are no outstanding checks. For employees, direct deposit is a more secure means of payment and money is available in their accounts at the start of the pay date, or even the night before. Though gains might be viewed as nominal, direct deposit is also a signal to the public that the district is taking advantage of current technologies.

Clerk/Treasurer and Assistant Treasurer/Accountant

The clerk/treasurer and the assistant treasurer/accountant are full-time employees, who have served the district for 17 and nine years, respectively. Together, they carry out responsibilities customarily assigned in towns to a town clerk, collector, treasurer and accountant. They process and generate payroll and vendor warrants, issue water bills, provide benefits administration and fulfill other human resources duties. With training from The Abrahams Group, they have embraced the use of Quickbooks to maintain cash books. They have become more proficient working with the DOR Gateway portal and in recent years have generally gained a greater understanding of the Tax Recap process. The Abrahams Group training also clarified that certain functions performed by the assistant treasurer are actually accountant responsibilities. Staff is cross trained to a large extent and routinely work together on everyday district matters, but each has primary responsibilities as well

Each week, the clerk/treasurer receives, prepares and sends payroll information to Payroll Express, the district's cloud-based payroll service. Reports are returned and a warrant is prepared for board approval. Most withholdings are paid directly by Payroll Express; others are paid through the district vendor warrant. The clerk/treasurer data enters water readings - twice a year for most accounts - from hand recorded field books into the inHance utility software. A commitment is assembled but it is not presented to the board for signatures. She also has a process in place to pursue payment from delinquents. While a board member is designated to oversee personnel matters, the clerk/treasurer has implied day-to-day personnel management duties, including maintenance of personnel files. Her ability to function in this capacity is reportedly complicated by membership (group A) in the only district union with all other employees. Lastly, the clerk/treasurer keeps meeting minutes and directs website content.

The assistant treasurer/accountant uses Quickbooks to record invoices and prepare the vendor warrant for approval of the water superintendent and board each month. She also prints checks with the treasurer's signature affixed. She produces monthly Profit & Loss statements from Quickbooks which function as expenditure reports for the board and finance committee. The assistant treasurer/accountant takes possession of, posts and prepares deposit of water use payments which arrive by mail, a drop box on location or over-the-counter. She provides an accounting to the clerk/treasurer and maintains a cash book in Quickbooks, which reconciles with the clerk/treasurer record each month. Deposits are generally made on a weekly basis, but more frequently when the volume of payments is high. The assistant treasurer/accountant has not yet pursued standing as a certified government accountant through the MMAAA.

The district provides the town assessor with an expense number representing the revenue to be raised through property taxes. The clerk/treasurer and assistant treasurer/accountant then work with the town assessor in the preparation of the district's Tax Recap Sheet which is typically approved by DOR around December 20th each year. Water district property tax bills are committed by the town assessor to the town collector and are mailed with town real estate bills. The collector receives and posts payments which are forwarded to the district through the town vendor warrant process.

Conclusion. The clerk/treasurer and assistant treasurer/accountant are each experienced and capable in carrying out financial functions of the district. The first few recommendations below are intended to bring the district into greater compliance with lawfully accepted practices. Others suggest ways to help improve record keeping and tighten operations

13) Align Duties of Treasurer and Accountant with Legal Responsibilities

Districts are not always held to the same standards and rules as cities and towns. However, the separation of legal responsibilities for accountants, treasurers (and collectors) as set out in statutes and regulations incorporates checks and balances that are as important to districts as they are to municipalities. More recently, these statutes have also been imposed on regional school districts. They now must have a treasurer separate from the accounting officer or business manager.

We also understand that in a two-person finance office, overlapping responsibilities may be unavoidable and entrenched by long-standing practice. Cross training is more often than not a positive circumstance. Dramatic change may not always be feasible. Nonetheless, at some point in the future we encourage the board to consider how it might bring the assigned duties of the treasurer and the accountant more in conformity with recognized financial controls. In particular, this would involve assigning all cash handling to the treasurer. She would receive and post receipts, prepare deposits and deliver a turnover to the accountant. Regular reconciliations of cash would continue as they currently do.

Changes would be documented in formally accepted job descriptions and perhaps in the union contract.

14) Submit Commitment for Water Usage Bills to the Board

Individual water bills are created in-house when meter readings are data entered into the inHance software and the water rates are applied. Hardcopy bills are printed and mailed. We recommend

that the commitment letter be formally presented to and signed by the board of water commissioners. Only then is the district staff authorized to collect payments.

15) Attach List of Employees with Gross Pay to Payroll Warrant

The clerk/treasurer currently prepares a warrant cover sheet, with signature lines, indicating total employee and board compensation for the pay period. We recommend that an attached list of employees and board members show the gross compensation each is to receive. This represents the amount of detail that allows the board to meet its legal obligation to review and approve the warrant. With greater detail, such as withholding amounts, the district risks revealing protected private employee information.

16) Set Rules for Access to Personnel Files

Personnel files are securely maintained by the clerk/treasurer and appear organized in an appropriate manner. For additional information, we direct the clerk/treasurer to M.G.L. c. 149, §52C, Ch. 214 § 1(b) and the American Disabilities Act and HIPPA.

Employee access to his personnel file is governed by §52C, but the district should have rules authorizing (restricting) the access of others. A department head and a human resource person are usually allowed access. Requests originating from a legal process must be honored. Otherwise, access should be granted only where there is a legitimate reason or basis for the request. These rules should be in the form of a bylaw approved by the district or policy formally approved by the board.

17) Create a Personnel Action Form

We recommend the creation and use of a uniform personnel action form to document and authorize changes to an employee's status, compensation or payroll deductions. Only with approval of management or the board chair, as evidenced by signatures, should the clerk/treasurer key in changes to an employee's record.

18) Assign Warrant Numbers

We recommend that the assistant treasurer/accountant assign numbers to vendor and payroll warrants to create a clear, easy to use and search reference system. A warrant number typically has three parts. The first is a letter indicating a payroll or vendor warrant (V or P). The second reflects the fiscal year (13 or 2013) and the third number refers to the warrant's "location" in the

year (1, 2, 3 etc.). For example, V13-1 might refer to the first vendor warrant in July 2012. Reference numbers would be entered primarily into the cash book.

19) Add Bank Accounts to Cash Book

Both the treasurer/clerk and the assistant treasurer/accountant maintain cash books in Quickbooks. We recommend that the treasurer/clerk expand her cashbook to include columns to the right for all bank accounts into and out of which money flows. Examples can be seen at DLS website at <http://www.mass.gov/dls>. Click on the Financial Management Assistance icon under “What’s New” and then on “Financial Calculators & Sample Forms.”

20) Consider Online Payments

We recommend that the district explore online water bill payment options through its web site. Payment by credit card would involve a fee to a third party financial institution. Payment by electronic check would include a smaller fee to the district. On-line bill payments help reduce foot traffic and mail into the office. It offers flexibility that consumers and taxpayers have come to expect. The option also conveys a message that the district is progressive in its customer service and use of technology. For more information on online bill payments, go to the DLS website at <http://www.mass.gov/dls>. Click on the Financial Management Assistance icon under “What’s New” and then on “Sound Financial Management Practices.”

21) Annually verify salary/wage changes

We recommend that once the annual budget is approved in May of each year, the clerk/treasurer verify employee compensation and withholdings. She should then update employee records and ensure any new information is reflected in the data files of the district’s payroll service, Payroll Express.

Water Superintendent

The water superintendent possesses all the duties and responsibilities typically assigned to a municipal department head. He oversees the work of five employees and manages the departmental operating and capital budgets. He monitors the treatment plant operation and the condition of other water infrastructure, equipment and realty. In general, the superintendent is in charge of all aspects of the district's efforts to protect, pump, treat and distribute public water. He works full-time and has been with the district for 35 years. The water superintendent interacts with board members on a regular basis and works closely with the clerk/treasurer and the assistant treasurer/accountant, but has no administrative staff. In large part because his union status (Group B) is equal to that of those he directs, his management authority is marginal.

The superintendent approves payments for the warrant, albeit after the accountant has completed a verification process. With the clerk/treasurer, he fulfills an early role in the development of the annual district budget. Capital projects seem to move forward on an ad hoc basis, e.g., when reasons are compelling and funds are available. He makes an effort to coordinate projects with Town of Dighton road work. More recently, the superintendent has compiled a list of needed capital projects. Of 12 projects, five have estimated costs ranging from \$30,000-to-\$100,000 and total \$330,000. One cost was set at \$500, another at \$2,000, but cost estimates have not been developed for five projects. The superintendent put together an inventory of district vehicles and rolling stock. He is also instrumental in the district's efforts to be forward looking. Well development and water source protection are current priorities.

Water usage bills are generated using a utility software application developed by inHance. The district pays an outside consultant to read meters during a three week span beginning in mid-November and mid-May. Data is hand recorded into "books" then keyed into the inHance software. Bills are not mailed until mid-January and mid-July. A commitment is produced but apparently is not submitted to the board. In the meantime, while a meter replacement program is in a 30-meter pilot stage, all users are charged a \$20 meter replacement fee annually.

Conclusion. The water superintendent is a critical part of a three-member district staff. He has longevity and institutional knowledge that the commissioners rely on. He is also current in his understanding and application of contemporary water management practices. The recommendations below are intended to support and encourage forward movement in areas where the superintendent has already initiated action.

22) Develop Long Term Capital Plan

The district budget includes debt service payments for the treatment plant construction costs. It also provides small dollar appropriations for equipment of various types while larger direct appropriations for capital purposes are included as articles. Looking ahead, the superintendent has assembled a list of needed capital projects and a vehicle inventory.

We recommend the superintendent place the identified projects and a vehicle replacement schedule on a five or even ten-year capital plan. We often see these long-term capital plans presented in a grid format as an Excel spreadsheet. He should also include any other capital projects he knows, expects or common sense tells him will need attention in the future. He should assign an estimated cost to each (as he already has done for some), even if an educated guess and subject to change. In this way, priorities and funding parameters take shape.

23) Purchase External Hard Drive for Data Backup

The superintendent backs-up data on his desktop computer once a month to a tape. We recommend instead that he back-up to an external hard drive with ample storage capacity. He can then schedule a back-up of data and applications to occur automatically every day. Alternatively, the district can contract with companies that offer back-up services to the cloud, or secure remote sites. Both options involve relatively small costs.

24) Explore Options to Participate in the Town of Dighton GIS System

We recommend that the district take advantage of the opportunity to be part of the Town of Dighton's geographical information system (GIS). With the capacity to document the water system and track any changes, GIS can be a valuable, highly efficient tool for the district. However, participation should be contingent on satisfactory responses to the superintendent's concerns. He has raised legitimate questions about security, particularly relating to the location of district wells and water sources. It is our understanding that access restrictions are commonly built into the GIS systems to protect data and, in this case, satisfy Homeland Security concerns. We recommend the superintendent communicate with the town to discuss participation and whether district data can be restricted to "registered users."

25) Explore an Accelerated Meter Replacement Option

The district has a pilot meter replacement program underway, but continues to explore options. We encourage the district to consider making the investment to implement an accelerated meter replacement program including the purchase of cutting edge software.

For example, in general terms, payment of \$20 per year from approximately 1,600 residential users generates \$32,000 in annual revenue. As debt service, \$32,000 would allow the district to borrow \$250,000-to-\$350,000 at current rates depending on the term of the loan. With this infusion of funds, the district could implement an accelerated meter replacement program without drawing on other revenues. Because meters ten-years old or more tend to under record usage, the district would realize additional revenue when new meters are installed. These savings could also help offset program costs.

In addition, cutting edge software with radio read capacity from a moving vehicle should shorten the time needed to cover the district to a week or less and, if manned by a district employee, eliminate the outside contract expense. The ability to electronically upload readings to, or read directly into, the billing software would free the assistant treasurer from the task of data entering. And as noted, any meter replacement cost greater than \$187 per household could be covered by the additional revenue derived from accurate meter readings.

Acknowledgements

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